

Regular Session, 2010

HOUSE BILL NO. 284

BY REPRESENTATIVE KLECKLEY

INSURERS: Provides relative to investment in securities by domestic insurers

1 AN ACT

2 To amend and reenact R.S. 22:584(D)(1), relative to domestic insurers; to provide with
3 respect to investment in securities by such insurers; and to provide for related
4 matters.

5 Be it enacted by the Legislature of Louisiana:

6 Section 1. R.S. 22:584(D)(1) is hereby amended and reenacted to read as follows:

7 §584. Investments in securities

8 * * *

9 D. Any domestic insurer, in addition to the investments permitted by
10 Subsection A of this Section, may invest an amount equal to its capital and surplus
11 if it is a stock company, and, if it is a company other than stock, it may invest an
12 amount equal to its surplus over all liabilities as follows:

13 (1)(a)(i) In shares of capital stock, American Depositary Receipts listed on
14 a national securities exchange, including the National Association of Securities
15 Dealers Automated Quotations (NASDAQ), bonds, securities, or other evidences of
16 indebtedness of any solvent corporation (other than a corporation engaged solely in
17 the business of operating real estate or a corporation having substantially all of its
18 assets invested in the shares of such corporation except as specifically provided in
19 Item (ii) of this Subparagraph) created under the laws of the United States, or the
20 states of the United States, or the District of Columbia, or a foreign corporation

1 whose stock is listed on ~~the New York Stock Exchange or the American Stock~~
2 ~~Exchange~~, a national securities exchange, including NASDAQ, provided that such
3 insurer may not, except in the case of shares permitted by Paragraph (9) of
4 Subsection A of this Section, invest in the shares or American Depositary Receipts
5 of a ~~manufacturing~~ corporation, ~~commonly known as "industrial"~~, unless such
6 corporation is listed on a national securities exchange, including NASDAQ, at the
7 time of the investment or has earned during any three years of the five-year period
8 next preceding the date of the investment, a sum applicable to dividends equal in the
9 aggregate to not less than twelve percent of the par value (or, in the case of shares
10 having no par value, the issued value) of its outstanding shares, or if such shares
11 have been issued less than five years, has earned a sum applicable to dividends
12 during the tenure of such issue, equal to not less than four percent per annum of the
13 par value, (or, in the case of shares having no par value, the issued value) of its
14 outstanding shares.

15 (ii) In the stock of a real estate investment trust (REIT) whose stock is listed
16 on the New York Stock Exchange, ~~or the American Stock Exchange, or NASDAQ~~,
17 provided such investment shall not exceed five percent of the total number of shares
18 of any one such trust and that not more than two percent of its admitted assets are
19 invested in shares of any one such trust. Shares in each such trust which ~~has~~ have
20 over one-half of its assets invested in ownership of real estate or which ~~has~~ have such
21 ownership as its stated investment objective shall be considered real estate
22 investment for purposes of conforming with the limitation on real estate ownership
23 imposed by Subsection G of this Section.

24 (b) Such insurers shall not invest more than five percent of its admitted
25 assets in the shares of any one ~~such manufacturing~~ corporation. Such insurers may
26 acquire the stock or other share capital of another insurer but shall not invest more
27 than fifty percent of said funds, directly or indirectly, in shares of another insurer,
28 nor shall such insurer acquire the whole or any part of the stock or other share capital
29 of another insurer which transacts the same kind or kinds of insurance where the

effect of such acquisition may be to substantially lessen competition generally or tend to create a monopoly. Investing in the stocks, bonds, or other evidence of indebtedness of any corporation, a substantial portion of whose funds are invested directly or indirectly in the shares of insurance companies, shall be regarded as investing indirectly in such shares. Whenever the commissioner of insurance has reason to believe that there is a violation of this Subsection, he shall conduct an investigation, and if he shall find that such investment is in violation of this Subsection, he shall cause such insurer to divest itself of such investment within such reasonable time, or such extension thereof, as he shall specify. Any such order of the commissioner of insurance shall be subject to review as provided in Chapter 12 of this Title, R.S. 22:2191 et seq.

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DIGEST

The digest printed below was prepared by House Legislative Services. It constitutes no part of the legislative instrument. The keyword, one-liner, abstract, and digest do not constitute part of the law or proof or indicia of legislative intent. [R.S. 1:13(B) and 24:177(E)]

Kleckley

HB No. 284

Abstract: Provides relative to investment in securities by domestic insurers.

Present law provides that domestic insurers may invest in certain shares of capital stock, American Depositary Receipts listed on a national securities exchange, bonds, securities, or other evidences of indebtedness of any solvent corporation created under the laws of the U.S., the states, or the District of Columbia, or a foreign corporation whose stock is listed on the New York Stock Exchange or the American Stock Exchange, with certain limitations.

Proposed law specifies that such shares of capital stock or American Depositary Receipts listed on a national securities exchange includes the National Association of Securities Dealers Automated Quotations (NASDAQ). Also specifies that evidences of indebtedness of any solvent corporation created under the laws of the U.S., the states, or the District of Columbia, or a foreign corporation includes those whose stock is listed on any national securities exchange, including NASDAQ, with certain limitations.

Present law provides that one such limitation is that a domestic insurer may not invest in the shares or American Depositary Receipts of a manufacturing corporation, commonly known as "industrial", unless such corporation is listed on a national securities exchange at the time of the investment or meets other criteria. Further prohibits investment in more than 5% of the insurer's admitted assets in the shares of any one such manufacturing corporation.

Proposed law instead provides that one such limitation is that a domestic insurer may not invest in the shares or American Depositary Receipts of a corporation unless such corporation is listed on a national securities exchange, including NASDAQ, at the time of

the investment or meets other criteria. Further prohibits investment in more than 5% of the insurer's admitted assets in the shares of any one such corporation.

Present law provides that, with certain limitations, domestic insurers may invest in the stock of a real estate investment trust (REIT) whose stock is listed on the New York Stock Exchange or the American Stock Exchange.

Proposed law adds stocks of REITs listed on NASDAQ to those securities in which, with certain limitations, domestic insurers may invest.

(Amends R.S. 22:584(D)(1))